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IN THE

Supreme Court of the United States

October Term, 1941

No. 1078

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT AND CABLE CO., INC.,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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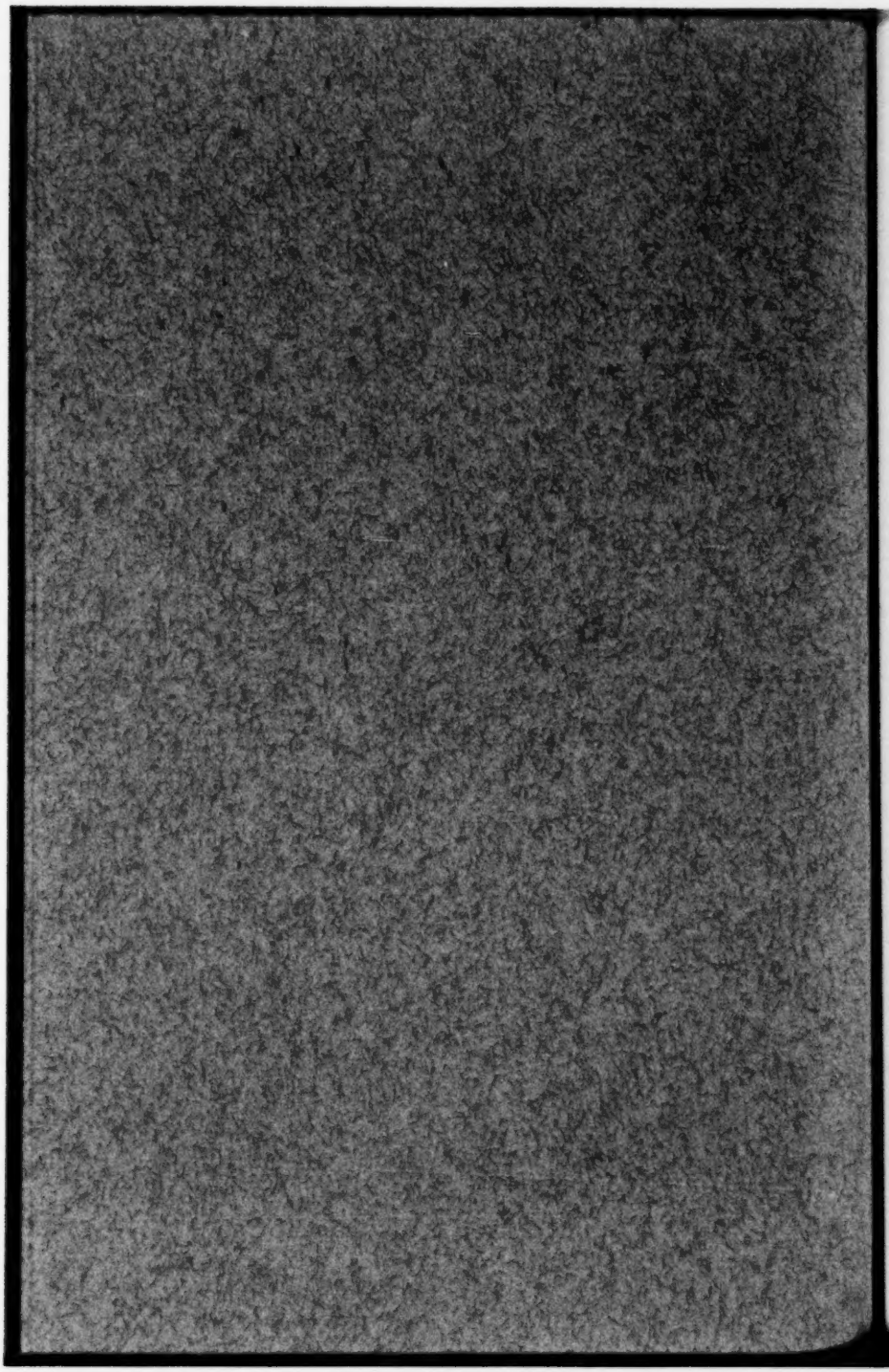

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BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The petition in this case presents no ground warranting its grant.

There is no diversity of opinion between Circuit Courts of Appeals on the single, simple question here involved. To the contrary, there is unanimity of opinion by the three Circuit Courts of Appeals that have considered the matter.[1]

Additionally, this Court on March 2, 1942, presumably for the foregoing reason, refused a writ of certiorari to review the same question in *Hazeltine Corporation* v. *The*

[1] The present case, viz: *National Electric Products Corporation* v. *Triangle Conduit and Cable Co., Inc.*, 52 U. S. P. Q. 410, C. C. A. 3; *Crosley Corp.* v. *Hazeltine Corp.*, 122 F. (2d) 925, C. C. A. 3; *Milwaukee Gas Specialty Co.* v. *Mercoid Corp.*, 104 F. (2d) 589, C. C. A. 7; *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. (2d) 105, C. C. A. 6.

Crosley Corporation, No. 892, October Term, 1941; and on March 30, 1942 denied a rehearing.[2]

It is believed that a brief restatement of the material facts of the case will be helpful.

Statement of the Case.

1. Petitioner, National Electric Products Corporation (hereinafter referred to as "National"), is a Delaware corporation, and is the owner of the eleven patents involved in this case.

2. Respondent, Triangle Conduit and Cable Co., Inc. (hereinafter referred to as "Triangle"), is likewise a Delaware corporation, and is engaged in the manufacture and sale of electric wire, cables, conduits and kindred products.

3. On January 9, 1941 the firm of Pennie, Davis, Marvin & Edmonds, in behalf of National served written notice upon Triangle that Triangle's products, or their production, were considered to be infringements of the eleven patents of National (R. 11).

4. On the same day a similar notice was sent to Sears, Roebuck & Company at Chicago, Illinois (a very large customer of Triangle, buying from Triangle and reselling to retail customers large quantities of Triangle's said products) that seven of National's said patents were considered to be infringed by Sears by reason of Sears' dealing in Triangle's said products (R. 12).

5. On the same day a similar notice was sent to M. B. Austin Company of Chicago, Illinois, another large cus-

[2] Counsel for Petitioner in the *Hazeltine* case and counsel for the Petitioner in the present case are members of or associated with the same firm of attorneys (Pennie, Davis, Marvin & Edmonds). In the petition to this Court for rehearing in the *Hazeltine* case (No. 892) it was stated that the petition in the present case was about to be filed, and that "the question presented [in the present case] is fundamentally the same although the facts are different". (Petition for rehearing, p. 1.)

tomer of Triangle, which also buys and resells large quantities of Triangle's said products (R. 13).

6. Despite National's assertions to the contrary, the obvious purpose of these "notices" to Triangle's largest customers was to intimidate them and to cause them to cease to be customers of Triangle, and thus, through this commercial aggression, to force Triangle to acquire a license under National's patents, and pay tribute thereto, regardless of their merits.[3]

7. The utilization of patents in the manner and for the purpose for which National has thus used them, has long been recognized and recently judicially characterized as a patent "racket".[4] Until the Declaratory Judgment Act was enacted the manufacturer had no protection from the patent racketeer unless a suit had been brought against the manufacturer, and even then the only available remedy was by appeal to the Court *in that suit* under general principles of equity. Such appeals to the Courts by an alleged wrongdoer usually fared badly.[5]

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[3] This is indisputably shown by the letter of February 6, 1941, to counsel for Triangle, written by Mr. Marks, attorney for Sears, wherein Mr. Marks reported a visit by counsel for National after receipt of National's "notice", from which visit Mr. Marks "*received the impression that the purpose of his* [National's attorney's] *visit was to influence Sears either to obtain a license or to modify its dealing with your client* [Triangle]" (R. 24).

[4] *Lances* v. *Letz*, 115 F. (2d) 916-917, C. C. A. 2nd.

[5] See, for example, *Hazeltine Corp.* v. *Atwater Kent Mfg. Co.*, 34 F. (2d) 50, D. C. E. D. Pa. In that case the Court said (at p. 51):

> "The plaintiff, however, has brought 26 suits in New York against sellers of the patented thing and intends at once to bring other suits in large number. The inevitable consequence has been and will be to play havoc with the whole business of the defendant by creating a panic among its patrons and customers so that they will be deterred from buying anything of the defendant."

Despite these facts, the Court denied an injunction to restrain the patent owner from such "inequitable" tactics, indulged in for "in *terrorem* purpose".

With the enactment of the Declaratory Judgment Act, however, the situation was changed. As was stated by the Court of Appeals for the Sixth Circuit in *E. W. Bliss* v. *Cold Metal Process Co.*, 102 F. (2d) 105, at page 109:

> "One of the purposes of the act was to provide a remedy to the challenger of a right the assertion of which injures him, yet who prior to the enactment of the statute was unable to secure an adjudication of his challenge until his adversary took the initiative."

9. In an exceptionally short time thereafter, the beneficial effect of the Act on the patent "racket" was so great as to be accorded published comment by Professor Borchard, as well as judicial notice. Thus, the Court of Appeals for the Second Circuit in *Lances* v. *Letz*, 115 F. (2d) 916, said (at p. 917):

> "One of the situations where the declaratory judgment is most helpful is that of patent litigation where a threat of suit for infringement has been made and not pressed for the attention of a court. 'This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question'. Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939; cf. Leach v. Ross Heater & Mfg. Co., 2 Cir., 104 F. (2d) 88, 91; E. I. DuPont DeNemours & Co. v. Byrnes, 2 Cir., 101 F. (2d) 14; Zenie Bros. v. Miskend, D. C. S. D. N. Y., 10 F. Supp. 779; Mitchell v. Weber, Inc. v. Williamsbridge Mills, D. C. S. E. D. N. Y., 14 F. Supp. 954; 45 Yale L. J. 160, 1935, 1287, 1936."

10. Convinced that its products did not infringe any valid patent of National, and realizing that the only reason for National's attempt to intimidate its two largest cus-

tomers was to effect commercially what National apparently feared it could not effect by patent infringement suit, and not being willing to wait "until his adversary should see fit to begin suit after damage had accrued",[6] Triangle, on January 16, 1941, instituted this suit against National in the District Court for Delaware (the State of National's domicile) seeking a declaratory judgment as to the validity of National's said patents and the infringement thereof by Triangle's products.

11. Instead of filing a counterclaim for infringement of the patents under the provisions of Rule 13(a) of the Rules of Civil Procedure,[7] which should have been mandatory if the original charge of infringement and threat of suit had been made in good faith, National (a Delaware corporation), on February 3, 1941—*18 days thereafter*—filed a patent infringement suit in the Southern Division of the Eastern District of Michigan, joining Triangle (a Delaware corporation) and its customer Sears, Roebuck & Company (a New York corporation) as defendants, and charging both defendants with infringement of the same patents involved in the declaratory judgment suit in Delaware by reason of the manufacture and sale of Triangle's said products (R. 16).

12. Triangle thereupon presented to the Delaware Court a motion for injunction to restrain National from prose-

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[6] *E. Edelmann & Co.* v. *Triple-A Specialty Co.*, 88 F. (2d) 852, 854, C. C. A. 7.

[7] Rule 13(a) of the Rules of Civil Procedure reads:

> "COMPULSORY COUNTERCLAIMS. A pleading shall state as a counterclaim any claim, not the subject of a pending action, which at the time of filing the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the Court cannot acquire jurisdiction."

cuting the patent infringement suit in Michigan until after adjudication had been had in the present case (R. 6).

13. On April 22, 1941 the Delaware Court denied the injunction (R. 29, 30), and an appeal was taken.

14. On November 19, 1941 The Court of Appeals for the Third Circuit (*per* MARIS, Circuit Judge) affirmed the judgment of the District Court.

15. On December 3, 1941 a petition for rehearing was filed in the Third Circuit Court of Appeals requesting reconsideration by the Court *en banc* (R. 45-52).

16. On December 17, 1941 this petition was granted and an order entered by the Court of Appeals withdrawing its prior opinion (R. 53).

17. On February 10, 1942 the Court of Appeals, sitting *en banc*, (*per* MARIS, Circuit Judge), rendered its unanimous opinion reversing the judgment of the District Court and ordering the grant of the injunction there sought (R. 54).

Argument.

On the foregoing statement of the case it is believed that no extensive argument is necessary to show the utter want of merit in the present petition, and the complete absence of any ground which would warrant its grant.

On the bare merits of the matter it would be extremely difficult, and certainly unnecessary, to add to the opinions of the Court of Appeals below in the present cause and in *Crosley* v. *Hazeltine*, 122 F. (2nd) 925, both of which exhibit painstaking studies and analyses of the law and the reasons for its application to the facts here presented.

National advances three points of argument in support of the petition. Only brief comment thereon is required to show the want of merit in any of them.

I.

It is first asserted that the salutary rule of the Court of Appeals below in this case and in the *Crosley* case "will result in a needless multiplicity of actions" (Brief, p. 8). This assertion is based on National's disingenuous plan of joining Triangle's customer with Triangle as a defendant in the subsequently brought patent infringement suit. By reason for this, National argues that the "facts" of the cases are different, and that all of the issues of the patent infringement suit in Michigan are not before the Court in the declaratory judgment action in Delaware. As a matter of simple logic, National is forced to carry its argument to the bald assertion (Brief, pp. 9-10) that for the facts and the issues to have been the same, Triangle's customer (Sears, Roebuck & Company), would have been necessary as a plaintiff with Triangle in the present declaratory judgment action. The fallacy of such tortured reasoning is believed to be self evident. In the first place, the logical consequence of such reasoning would be that in order for a manufacturer to avail himself of the Declaratory Judgment Act with respect to a challenge to his products, he would have to join with him as a plaintiff in such action *every one of his customers, and their customers as well.* The absurdity of this is obvious.

Surely, the beneficial effects of the Declaratory Judgment Act in patent causes may not be vitiated, or the rule in the *Crosley* case avoided, by so thin a device and so obvious a subterfuge as the mere joinder of a customer with the manufacturer as a defendant in a patent infringement suit brought *subsequent* to the declaratory judgment action. The sole apparent purpose of such tactics is to attempt to nullify the declaratory judgment action previously instituted. Though it has not been necessary to raise the point

in the present case, it would seem to be obvious that an injunction ultimately should be obtainable by a manufacturer in a declaratory judgment action which would restrain a patent owner from *subsequently* suing or prosecuting any patent infringement suit subsequently brought against a customer until an adjudication of the declaratory judgment action had been had.

Additionally, it should be noted that the only justification for including Sears, Roebuck & Company as a defendant jointly with Triangle in the Michigan infringement suit is by reason of Sears' dealing in Triangle products. So far as those products are concerned, the fundamental issues of validity of National's patents, and the infringement thereof by Triangle's products, are the same in both jurisdictions. If the patents are held invalid or not infringed in the Delaware action, that disposes of both cases because National could not thereafter pursue Triangle's customers (*Kessler* v. *Eldred*, 206 U. S. 85). On the other hand, if the patents are held valid and infringed by Triangle's products, an accounting proceeding—*a supplementary proceeding*—might still be had in Michigan, because, as this Court knows, an accounting proceeding is a *supplementary* proceeding even in a patent infringement suit.

In the final analysis, the most and all that its patents afford National is the right to secure an adjudication of their validity and the asserted infringement thereof in a Court of competent jurisdiction. Triangle has voluntarily —by the present declaratory judgment action—accorded National that right, and such adjudication actually could have been had before this had National been sincere in its desire for any such thing. Instead of availing itself of this opportunity, however, National has filed an *additional* and *wholly unnecessary* suit in a jurisdiction foreign to itself as well as to both of the two defendants named therein, and

asserts the right to file as many *additional* suits against as many *additional* customers of Triangle as may exist, in as many jurisdictions as they may be located—*all in support of an argument that the Rule of the Court below in the present case* (*which forbids any such thing*) *"will result in a needless multiplicity of actions"*.

Petitioner's first point of argument, therefore, is wholly without merit or justification.

II.

National next argues that the decision below deprives the District Courts of discretionary power. Again we disagree. The District Courts still have discretionary power to determine whether there is an actual controversy so that their jurisdictions are properly invoked; they still have discretion to determine whether declaratory relief is proper. In patent cases, however, the Courts have been unanimous in holding that where, as here, a patent owner charges infringement by products of a manufacturer an actual controversy involving the validity and infringement of patent rights exists under the Declaratory Judgment Act; and they have unanimously held that the failure or refusal of a District Court to recognize that fact constitutes a reversible abuse of discretion.[8] The reason for this is quite obvious. Whenever patent rights are asserted there is a strong public interest involved.[9] It would appear to be obvious that

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[8] *Creamery Package Mfg. Co.* v. *Cherry-Burrell,* 115 F. (2d) 980, C. C. A. 3; *E. Edelmann* v. *Triple-A Specialty Co.,* 88 F. (2d) 852, C. C. A. 7; *Lances* v. *Letz,* 115 F. (2d) 916, C. C. A. 2; *Hofmann* v. *Knitting Machines Corp.,* 123 F. (2d) 458, C. C. A. 3; *Treemond Co.* v. *Schering Corp.,* 122 F. (2d) 702, C. C. A. 3; *E. W. Bliss Co.* v. *Cold Metal Process Co.,* 102 F. (2d)105 C. C. A. 6.

[9] Cf. *Exhibit Supply Co.* v. *Ace Patents Corp.,* Nos. 154, 155, 156, decided by this Court Feb. 2, 1942.

public interest is best served by having issue joined by the primary party of interest, namely, the manufacturer whose product is accused. Usually, he, alone, has the incentive and the means to protect himself, and the public as well, by a speedy and strong defense.[10]

It is submitted as obvious, therefore, that National's second point of argument is without merit.

III.

National finally asserts an alleged conflict of decisions of Courts of Appeals on the question here presented. Again we disagree. The only conflict alleged is a conflict between patent cases and insurance cases. In an insurance case obviously there is no party who has a legal right to file a multiplicity of suits, or to send out widespread threats of suit, nor is any public interest involved in the decision of any issue presented.

In patent cases, however, the Courts of Appeals that have passed on the question are in entire agreement on the proper disposition of the question here presented, as we have asserted on page 1 of this brief.

It is of interest to note that at least one of the Courts of Appeals has drawn the proper distinction between insurance cases and patent cases. One of the insurance cases upon which National relies (*American Automobile Insurance Co. Inc.* v. *Freundt et al.*, 103 F. (2d) 613) was decided by the Seventh Circuit Court of Appeals on April 27, 1939; while the same Court, *on the following day*, decided the case of *Milwaukee Gas Specialty Co.* v. *Mercoid Corp.*, 104 F.

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[10] Rule 57 of the Federal Rules of Civil Procedure provides:

"The Court may order a speedy hearing of an action for a declaratory judgment and may advance it on the calendar."

(2d) 589, with which decision the Third Circuit Court of Appeals below, in its decision in the present case, was in entire accord.

Conclusion.

The petition should be denied.

Respectfully submitted,

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